

Message Text

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C O R R E C T E D C O P Y (MRN 10100 VICE 10081)

E.O. 11652: GDS

TAGS: PFOR, EINV, EG, US

SUBJECT: FORD BOYCOTT--FORD REPS MEETING WITH DEPUTY SECRETARY

REF: (A) STATE 182162, (B) CAIRO 9952, (C) CAIRO 9103

1. LIKE DEPT, WE ARE CONCERNED ABOUT CURRENT
IMPASSE IN GOE/FORD PROJECT NEGOTIATIONS. THIS,
IT SHOULD BE NOTED, STEMS PRIMARILY FROM DIVERGENCE
OF TECHNICAL AND FINANCIAL VIEWS RATHER THAN
FROM THE BOYCOTT. THE LATTER IS A SEPARATE PROBLEM,
WHICH IS BEING HANDLED AT THE POLITICAL LEVEL.

2. SOME OF FORD REPS' COMMENTS CITED REFTEL A ARE
FRANKLY PUZZLING AND ARE NOT CONSISTENT WITH WHAT
THEY HAVE TOLD US OVER THE MANY MONTHS OF NEGOTIATIONS.
SPECIFICALLY, (A) WE WERE TOLD THEY NEEDED A
DECISION BY JULY AT THE LATEST ON DIESEL PLANT,
BUT NOW LATEST DEADLINE SEEMS TO BE LATER IN THE
YEAR, (B) WE HAD BEEN LED TO BELIEVE THAT FORD
DOES ATTACH CONSIDERABLE IMPORTANCE TO THE ARAB MARKET
AND TO TS REMOVAL FROM THE BLACK LIST, ALTHOUGH WE
FULLY UNDERSTAND THAT FORD DOES NOT WISH AND SHOULD
NOT VIEW ITS REMOVAL FROM BLACK LIST AS A RANSOM
SITUATION, (C) THERE IS OBVIOUSLY CONFUSION AND
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MISUNDERSTANDING HERE ON THE QUESTION OF FORD'S

FINANCIAL PARTICIPATION IN THE PROJECT, WHICH CAN ONLY BE DUE TO FORD REPS FAILURE TO MAKE POINT CLEAR, (D) GIVEN DIFFICULTIES AND COMPLICATIONS OF INVESTMENT SITUATION AND FORD'S EVIDENT CONCERN OVER DEPENDABILITY OF ENGINE SUPPLY, STATEMENT IN PARA 15 REF A IS VERY CURIOUS. IF FORD CAN EXPAND ENGINE FACILITIES IN THE UK AT A "FRACTION OF THE COST" OF BUILDING IN EGYPT, WHAT THEN IS THE MOTIVATION FOR PRESENT EFFORT HERE? IT APPEARS THAT FORD MAY NOT BE LEVELLING WITH US.

3. FAHMY MAY HAVE ERRED IN CHARGING THAT FORD INTENDS INVEST ONLY "ONE MILLION DOLLARS OF ITS OWN MONEY" (CAIRO 9103) BUT CHECK OF BLUE BOOK INDICATES FORD'S EQUITY CAPITAL WILL BE NO MORE THAN LE ONE MILLION. FAHMY'S BASIC ARGUMENT FOR A HIGHER FORD EQUITY IS NOT ALTERED BY HIS SLIP OF THE TONGUE ON DOLLARS/POUNDS. WE HAVE STUDIES BLUE BOOK, BUT REMAIN UNCLEAR WHERE \$33 MILLION FINANCIAL PARTICIPATION ORIGINATES. THIS LATTER FIGURE IS GREATER THAN ANYTHING LOCAL FORD REP OUROUSSOFF (WHO WAS INVOLVED IN NEGOTIATIONS) EVER MENTIONED TO US. OUROUSSOFF NOTED THAT EGYPTIAN TECHNICAL COMMITTEE HAD RECOMMENDED THAT FORD'S EQUITY BE RAISED TO \$25 MILLION (CAIRO 9284). WE ASSUME DIFFERENCE BETWEEN LE 1 MILLION EQUITY CAPITAL AND \$33 MILLION FIGURE CITED BY FAHMY IS INTENDED TO BE DEBT. IN ANY EVENT, AS INDICATED REFTEL C, THE QUESTION OF FORD'S FINANCIAL PARTICIPATION HAS FOR THE MOMENT BECOME CRITICAL AND, IF THE PROJECT IS TO BE SALVAGED, THIS ASPECT NEEDS TO BE RESOLVED AT THE OUTSET.

4. OUR EARLIER PROPOSAL THAT WILLIAMS AND FREDERICKS VISIT EGYPT IN NEAR FUTURE PURPOSED ENABLING THEM TO GET A FIRSTHAND READING OF CURRENT HIGH LEVEL GOE VIEWS ON THE FORD PROPOSAL. IF THERE IS CONFUSION ON THE PART OF THE EGYPTIANS, AND WE ARE NOT SURE THAT THIS IS THE CASE, SUCH A VISIT WOULD GIVE SENIOR FORD REPS AN OPPORTUNITY TO CLARIFY SITUATION.

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5. GIVEN PRESENT UNCERTAIN STATE OF PROJECT NEGOTIATIONS, WE SEE LITTLE PURPOSE IN TRYING TO ARRANGE THAT SADAT MEET FORD REPS. INSTEAD, WE BELIEVE THEY SHOULD MEET WITH GAZARINE, SHAFEI AND FAHMY, IF THE LATTER IS WILLING TO MEET WITH THEM. A MEETING WITH THE PRIMIN WOULD ALSO BE USEFUL AND WE BELIEVE THAT SUCH A MEETING COULD BE ARRANGED.

6. AMB COULD PERSONALLY REQUEST MEETING WITH PRIMIN
AND FAHMY IN ORDER TO EMPHASIZE HIGH LEVEL USG
INTEREST IN THE PROJECT. RE FORD'S SUGGESTION THAT
SUCH A SESSION BE PRECEDED BY "RENEWED USG APPROACH
TO TOP LEVEL OF GOE TO REAFFIRM IMPORTANCE WE ATTACH
TO QUOTE OPEN DOOR UNQUOTE POLICY AND TO THE VALUE
OF GOE'S APPROVAL ON SOME SPECIFIC MAJOR US PRIVATE
INVESTMENTS." WE HAVE MADE THESE POINTS AD NAUSEUM
AND CONTINUE TO DO SO. WE SHOULD NOT BE UNDER THE
IMPRESSION THAT GOE IS ANY DOUBT ABOUT THEM, BUT
OUR PROBLEM IS THAT THE EGYPTIANS ARE SHARP BARGAINERS
AND WILL NOT ACCEPT ANYTHING THAT THEY REGARD AS A
POOR DEAL SIMPLY TO PLEASE US.
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